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Annual

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Report Highlights:

Domestic production of grains in Venezuela remains insufficient to meet domestic food and feed demand, and due mainly to current dry weather conditions, production is expected to decline this year and next, especially of rice. Rice imports are estimated in 2002 for the first time since 1996 due to the tighter supply situation. Venezuela continues to import all its wheat and yellow corn, but corn imports are estimated to drop in 2002 due to a restrictive import licensing system. Grain imports are expected to rebound in 2003 assuming a removal of the corn import ban and resumption of a more transparent licensing system. Grain consumption is estimated to just keep up with population growth in 2002, but more growth is forecast for 2003 especially if oil prices move up and the economy recovers.

Includes PSD changes: Yes

Includes Trade Matrix: Yes

Annual Report

Caracas [VE1], VE

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Executive Summary

Most economic analysts forecast that 2002 will be a very difficult year for Venezuela, with zero or negative GNP growth. The Bolivar was allowed to float in February, and devalued about 30 percent in the first week. The currency has strengthened some since then, but many analysts believe this is unsustainable since it is based on a tight monetary policy that has driven interest rates well above 70 percent. The Venezuelan Central Bank is using an auction system to allocate foreign currency, but continues to face a drop in international reserves. The recent increase in oil prices is providing some breathing room for this petroleum exporting nation, but unless there is a sustained significant oil price increase some sort of foreign exchange control may need to be implemented.

Within this atmosphere, grain imports will be more expensive, and are expected to drop slightly in 2002. However this decline is due more to the current restrictive import policies of the government than to economic concerns. Over the longer term, imported grains provide needed basic feed ingredients, and the components for bread and pasta which are staples in the diet of lower-income consumers. Grain consumption has been declining on a per capita basis over the past 10 years, and it is unlikely that it can be driven much lower. Post estimates an increase in grain consumption for 2002 that just keeps up with population growth, but with more growth in consumption forecast for 2003 if the economy recovers.

Domestic production of grains in Venezuela is insufficient to meet domestic food and feed demand, and due mainly to current dry weather conditions, production is expected to decline this year and next. Local production is limited to white corn, rice and some grain sorghum. Venezuela has essentially been a self-sufficient rice producer and for the last two years has had a surplus of white corn production for food use, but is deficit in corn for feed use.

Venezuela is a major importer of grains, importing all its wheat needs (about 1.2 million tons), its yellow corn needs (around 1.1 million tons) and its barley needs (about five thousand metric tons a year). In 2002 grain imports are estimated to drop mainly because of the restrictive import licensing system, but are expected to rebound in 2003, especially if oil prices move up and the economy recovers. Rice imports are estimated in 2002 for the first time since 1996 due to a tighter domestic supply situation.

PSD Table						
Country	Venezuela					
Commodity	Wheat				(1000 HA)(1000 MT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		7/2000		7/2001		7/2002
Area Harvested	0	0	0	0	0	0
Beginning Stocks	75	75	75	50	0	60
Production	0	0	0	0	0	0
TOTAL Mkt. Yr. Imports	1394	1242	1400	1300	0	1350
Jul-Jun Imports	1394	1242	1400	1300	0	1350
Jul-Jun Import U.S.	0	570		600	0	600
TOTAL SUPPLY	1469	1317	1475	1350	0	1410
TOTAL Mkt. Yr. Exports	50	50	50	30	0	30
Jul-Jun Exports	50	50	50	30	0	30
Feed Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	1344	1217	1350	1260	0	1315
Ending Stocks	75	50	75	60	0	65
TOTAL DISTRIBUTION	1469	1317	1475	1350	0	1410

Prices Table			
Country	Venezuela		
Commodity	Wheat		
Prices in	Bolivars	per uom	kg
Year	2000	2001	% Change
Jan	688.44	713.66	3.66%
Feb	705.8	715.9	1.43%
Mar	710.44	721.84	1.60%
Apr	710	723.86	1.95%
May	709.32	666.38	-6.05%
Jun	709.54	676.94	-4.59%
Jul	706.08	679.94	-3.70%
Aug	691.1	677.9	-1.91%
Sep	709.92	679.36	-4.30%
Oct	710.08	695.5	-2.05%
Nov	713.08	701.02	-1.69%
Dec	707	707.22	0.03%
Exchange Rate	965	Local currency/US \$	

Source: Venezuelan Central Bank (Banco Central de Venezuela)

Note: Prices for pasta per kilo

Import Trade Matrix			
Country	Venezuela		
Commodity	Wheat		
Time period	July-June	Units:	1000 MT
Imports for:	2000/2001		
U.S.	570	U.S.	
Others		Others	
Canada	628		
Total for Others	628		0
Others not Listed	42		
Grand Total	1240		0

Source: Venezuelan Statistic Institute (Instituto Nacional de Estadísticas, INE)

WHEAT

Production

Due to Venezuela's climate production of wheat is negligible.

Consumption

Venezuelan millers have traditionally imported high quality, high protein wheat. In the past this practice has given the United States an advantage over other suppliers. However, in the last three years because disposable incomes have been declining and consumers have become more price conscious, millers and bakers have begun to blend cheaper, lower quality wheat with the higher protein wheats to produce a low-cost flour. At the same time less expensive brands of pasta, made from hard wheat and durum wheat blends, or from 100 percent hard wheats with the high-temperature technology, are becoming more prevalent in the market.

Wheat consumption has been between 1.1 and 1.2 million tons for the past decade, which given Venezuela's annual population growth of almost 1.3 percent during that period reflects a significant decline in per capita consumption. Given the current economic conditions it is difficult to be optimistic about growth in demand for wheat, however since pasta and bread are low-cost staples in the Venezuelan diet it is also hard to imagine that consumption will fall. Pasta sales have been stable and pasta consumption in Venezuela continues to be one of the highest in the world with 14 kilos per capita. Bread consumption fell slightly in the fourth quarter of 2001, but is currently at 22 kilos per capita per year.

In addition, there are rumors that some lower quality wheats are being incorporated into feed rations to compensate for shortages in other feed ingredients. Overall, wheat consumption is estimated to increase to 1.26 million tons in 2001/02 and increase even further in the following year if no new policies are implemented to restrict imports.

There are three major wheat buying groups and millers in Venezuela. Cargill, which controls 40 percent of the market, GRUMA-MONACA with 20 percent of the market, and Polar (MOSACA) with 20 percent of the market. Other smaller millers and flour and pasta producers comprise the rest of the importers.

Trade

As previously reported, Venezuela imports nearly 100 percent of its wheat requirements, with traditional suppliers being Canada, the United States and Argentina. This report forecasts limited growth in imports for the next two years as demand for low-cost food and feed ingredients will remain strong even during the current economic difficulties.

Canada has been increasing its wheat market share in Venezuela in the last four years. According to the Venezuelan Statistics Institute (INE, Instituto Nacional de Estadísticas) total U.S. wheat exports to Venezuela from July-June 2001 were 570,000 as compared to 628,000 from Canada. Venezuelan millers prefer the quality of North American wheat, but are receiving good quality Canadian wheats at lower prices.

Tariffs

The present base tariff on wheat is 15 percent ad valorem calculated on the basis of CIF price. Wheat is included in the Andean Community price-band system. According to this system, a variable tariff is applied to keep the landed value of the wheat between a set floor and ceiling price. Floor and ceiling prices are based on average prices for hard red winter, number 2 (HS1001.10.90), FOB Gulf during the last five years. The current ceiling price is \$ 207/MT and the floor price is \$ 157/MT (prices are adjusted on April 1 of each year). For the most current information on the Andean Community price-band and tariff rates refer to www.comunidadandina.org.

A tariff rate quota (TRQ) for wheat was established at 1.271 million tons paying 30 percent tariff, and most wheat enters under the TRQ.

Trade Barriers

Trade in wheat is operating smoothly at this time. However, even though there is no significant domestic production of wheat, the GOV is being pressured to reduce the imports of this foreign grain in order to increase demand and prices for domestic grains.

Among the alternatives that have been considered are to put an additional tariff on wheat imports, to limit the import quota and to obligate millers to add up to 10 percent rice flour to the mix of wheat flour used to make bread, cookies and pasta. This latter proposal was gaining a fair amount of support early in 2002, especially from the Venezuelan Producers Association, Fedegro, but has now apparently been dropped due to the poor prospects for this year's rice crop.

The ban on potassium bromate remains in place. Post has begun to receive some complaints for millers and bakers that this is harming the quality of their finished product. At this time there is no indication that any change in the ban will be forthcoming.

Marketing

Canada has been gaining increasing market share in the Venezuelan market. As mentioned in past reports, some buyers state a preference for Canadian wheat as a cleaner wheat and at a better price. Apparently major pasta manufacturers have said that the low dockage gives them a more efficient grind and less waste. Most of them do not have the machinery necessary for eliminating the dockage, and they perceive a cost saving with the Canadian wheat. Recent field travel by an US Wheat representative indicates that Canadian wheat is arriving with a higher moisture content than the U.S. product, and more work to provide information on how that affects tempering and final costs and expenses per ton of flour could influence buyers' decisions.

Trade servicing, technical support and marketing assistance are important in order to maintain and improve the relation with clients. The U.S. Wheat Associates provides continued efforts in this market such as hosting the traditional "Wheat Quality Seminar" in Caracas in November 2001. The International Grains Program, IGP conducted a course on wheat purchasing and flour milling management topics in Puerto Cabello, Carabobo State from October 16-17, 2001. These kinds of initiative are helpful for remaining in touch with the main players of the Venezuelan industry and providing them the information they need for buying decisions.

The ESLAMO wheat milling school in Puerto Cabello continued to provide technical training during the past year, but

current financial difficulties place its future in question. This school, and the wheat association, ASOTRIGO, have been valuable resources to promote wheat consumption and deal with technical issues related to wheat and flour production and use in the past.

The Quality Samples Program (QSP) has been used by U.S. Wheat Associates to introduce Venezuelan millers and pasta producers to Desert Durum and to promote its use. Continued use of this program, as well as access to the GSM-102 credit guarantee program, have helped facilitate the marketing of U.S. wheats to Venezuela.

PSD Table						
Country	Venezuela					
Commodity	Corn				(1000 HA)(1000 MT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		10/2000		10/2001		10/2002
Area Harvested	450	450	450	461	0	400
Beginning Stocks	205	203	115	225	0	195
Production	1200	1450	1200	1500	0	1350
TOTAL Mkt. Yr. Imports	1210	1172	1100	1000	0	1250
Oct-Sep Imports	1210	1172	1100	1000	0	1250
Oct-Sep Import U.S.	0	1120	0	900	0	1150
TOTAL SUPPLY	2615	2825	2415	2725	0	2795
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Oct-Sep Exports	0	0	0	0	0	0
Feed Dom. Consumption	1500	1350	1300	1280	0	1350
TOTAL Dom. Consumption	2500	2600	2300	2530	0	2650
Ending Stocks	115	225	115	195	0	145
TOTAL DISTRIBUTION	2615	2825	2415	2725	0	2795

Prices Table			
Country	Venezuela		
Commodity	Corn		
Prices in	Bolivars	per uom	Kg
Year	2000	2001	% Change
Jan	451.81	528.04	16.87%
Feb	451.19	526.06	16.59%
Mar	450.12	524.99	16.63%
Apr	451.48	525.17	16.32%
May	464.14	518.78	11.77%
Jun	479.68	519.28	8.26%
Jul	481.78	515.31	6.96%
Aug	482.73	513	6.27%
Sep	483.02	512.18	6.04%
Oct	481.03	515.14	7.09%
Nov	490.48	519.1	5.84%
Dec	518.62	542.23	4.55%
Exchange Rate	1,037	Local currency/US \$	

Source: Venezuelan Central Bank (Banco Central de Venezuela)

Note: Prices for precooked corn flour

Import Trade Matrix			
Country	Venezuela		
Commodity	Corn		
Time period	Oct-Sep	Units:	1000 MT
Imports for:	2000/2001		
U.S.	1119	U.S.	
Others		Others	
Argentina	45.3		
Total for Others	45.3		0
Others not Listed	7.7		
Grand Total	1172		0

Source: Venezuelan Statistic Institute (Instituto Nacional de Estadísticas, INE)

CORN

Production

More than 90 percent of all corn produced in Venezuela is white corn for human consumption. Thus feed corn, for the most part, is imported. In 2000/2001 Venezuela produced 1.45 million tons of corn, 90 percent white and 10 percent yellow. It was a record harvest, but due to the high domestic price expected by producers, a big part of the surplus could not be allocated in the market. This issue has brought a series of problems and distortions in the domestic market. The GOV felt pressure from producer associations to implement mechanisms to improve the purchase price of white corn. An agreement was reached in which the feed industry agreed to purchase 150,000 tons of white corn at \$192/ton (farm-gate price), but would subsequently either be reimbursed for the differential between that and an operating price of \$108/ton or receive tariff exoneration for imports of yellow corn.

For the following year, according to the Venezuelan Producers Association (Fedeaagro), the corn area harvested increased from 450,000 hectares in 2000 to 461,000 hectares in 2001, with an average yield of 3.58 kg per hectare. This resulted in record production estimated at 1.5 million tons as farmers shifted into this more lucrative crop. With the feed industry still not reimbursed from its expenditures in 2000/01, it made no moves to purchase this new surplus white corn and farmers were left with around 365,000 tons of white corn without a buyer in the fall of 2001. Due to current financial problems and dry weather conditions, area planted is expected to decrease in 2002/2003 and the crop is forecast to reach only 1.3 million tons.

Consumption

The white corn crop is traditionally purchased by the corn flour industry mainly to produce precooked corn flour to make a kind of corn bread called "arepas," which is part of the Venezuelan basic diet. In September 2001 the food industry initially purchased 905,000 tons and reportedly 295,000 tons later at Bs. 175/kg (about \$235/ton at the exchange rate in the fall). The GOV has been pressing the animal feed producers to absorb the remaining quantity at the same price as the food industry. The feed industry has repeatedly stated that it cannot afford to purchase corn at that price without dramatically affecting its products costs. Imported corn had been running around \$130 per ton delivered at the plant, versus \$235 per ton under discussion for domestic corn.

White corn is milled to produce the precooked corn flour and it is used mostly for human consumption, while yellow corn is used for animal feed. Total consumption of corn flour has been increasing in response to declining real incomes and its cheaper price relative to other food products. It is a low-cost food which was substituted for more expensive foods for consumers hard hit by the recession, inflation, unemployment and stagnant wages.

Animal feed consumption has been based on imported yellow corn. In 2000/2001 yellow corn consumption was 1.35 million tons. Feed consumption in 2001/2002 is estimated to drop slightly to 1.28 million tons due to the ban on corn imports and the related tightening in animal feed numbers. Feed consumption is expected to rebound in 2002/03 assuming a removal of the ban.

Trade

The United States is the major corn supplier to Venezuela, though small quantities are also imported from Argentina. Imports have been restricted since September, when the GOV officially banned the importation of yellow corn until the entire domestic crop had been purchased. This restriction comes on top of earlier requirements placed on importers to purchase certain quantities of domestically produced sorghum and/or corn in order to receive import licenses.

Corn imports are estimated to drop to around 1.1 million tons for 2001/02 due to these restrictions. At this time post anticipates that the import ban will be lifted within the next several months since the domestic corn has been purchased, and the needs of the domestic pork and poultry sectors for additional feed ingredients will become critical. Trade is expected to resume at fairly high levels in order to replenish stocks. Imports are forecast to climb to 1.3 million tons in 2002/03 since lower forecast domestic corn production that year would indicate less availability for the feed sector and a lower likelihood of trade impediments.

Trade Barriers

Import licenses for corn have not been regularly issued by the Ministry of Production and Commerce (MPC) since July 2001. On top of this, a ban on corn imports was published by MPC in September 2001, to remain in place until the domestic white corn crop had been purchased. The USG has repeatedly raised its objections to this ban with counterparts in Caracas, Washington, and Geneva. FAS/Caracas officially presented a demarche on the corn ban to both the Venezuelan Ministry of Agriculture and the Ministry of Commerce in February, but to date has not received a response. The USG is reviewing the appropriate actions to take before the WTO. For further information see VE1027 and VE1028.

The recent recreation of the Ministry of Agriculture as a separate entity (after its two-year sojourn as a division within the Ministry of Production and Commerce) has also complicated the process of identifying the appropriate entities responsible for the issuance of licenses. What is clear is that there is currently not a formalized, transparent, routine method for applying for and either receiving or being denied import licenses for corn or for many other agricultural products.

In addition to the problems with licenses, imports of another product that does not need a license, cracked corn, also ran into unforeseen trade barriers. Due to the problems with getting licenses for yellow corn (HS 1005.90.11) traders and members of the feed industry began looking for substitute products they could use in their rations. Cracked corn (HS 1104.23.00) does not need a license nor any other special permits to enter Venezuela, and the first shipment entered with no problems in December. But when the second shipment arrived on February 17, 2002, the Ministry of Agriculture went to extreme measures to prevent this product from entering the country. The product had all the required paperwork and was cleared by the custom authorities, but the Ministry of Agriculture requested numerous tests not normally required for importing this product, and publicly disparaged the quality of the product. However, after almost four weeks the shipment was finally released by the Agriculture authorities. Trade contacts have informed us that during this period much, if not all, of the remaining domestic corn was finally purchased at the \$175/ton price established by the GOV.

Tariffs

White and yellow corn imports became subject to tariffs established by the Andean Community price-band system adopted by Venezuela in 1995. The base tariff for both white and yellow corn is 15 percent ad valorem calculated on the basis of the CIF price. According to this system, a variable tariff is applied to keep the landed value of corn between floor and ceiling price (floor and ceiling prices are adjusted on April 1 of each year). For the most current information on the Andean Community price-band and tariff rates refer to www.comunidadandina.org.

The tariff rate quota (TRQ) for corn is established at 583,459 tons with an in-quota rate of 20 percent. The out-of-quota rate is based on the Andean price band, and has so far not exceeded the bound rate of 135 percent.

Marketing

The United States has traditionally dominated the sizeable Venezuelan corn market. Nonetheless, the market should not be taken for granted. Trade servicing, technical support, and marketing assistance are important in order to maintain and/or improve client loyalty and satisfaction. During this period of restricted trade, buyers and sellers are examining opportunities for alternative feed ingredients, and some of these niche products could become longer-term sizeable exports.

PSD Table						
Country	Venezuela					
Commodity	Sorghum				(1000 HA)(1000 MT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		10/2000		10/2001		10/2002
Area Harvested	260	150	260	136	0	140
Beginning Stocks	35	30	30	30	30	30
Production	390	360	390	330	0	340
TOTAL Mkt. Yr. Imports	0	0	0	0	0	0
Oct-Sep Imports	0	10	0	0	0	0
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	425	390	420	360	30	370
TOTAL Mkt. Yr. Exports	25	10	25	0	0	0
Oct-Sep Exports	25	10	25	0	0	0
Feed Dom. Consumption	370	350	365	330	0	340
TOTAL Dom. Consumption	370	350	365	330	0	340
Ending Stocks	30	30	30	30	0	30
TOTAL DISTRIBUTION	425	390	420	360	0	370

SORGHUM

Production

Sorghum is grown in the mid-western and eastern regions of Venezuela in the states of Guárico, Portuguesa, Cojedes, Barinas, Monagas and Bolivar. Guárico accounts for over half of the total production. There are two crops, the first is planted in June/July and harvested in September/October and called the "cosecha Norte-Verano" or summer cycle. The second is planted in October/November and harvested in April/May and called the "cosecha de Invierno" or winter cycle.

Area harvested figures for sorghum have been adjusted in this report to reflect newly available acreage and yield information. According to the Venezuelan Producers Association, Fedegro, area harvested for sorghum in 2000/2001 was 150,000 hectares and it is estimated to decrease to 136,000 hectares in 2001/2002, due among other things, to weather conditions and economic recession. Total production in 2000/2001 was 360,000 tons and is estimated to fall to 330,000 tons in 2001/2002 due to lower area. A slight recovery in area and yield are forecast for 2002/03.

Venezuela used to import sorghum seed for planting but domestic seed production now supplies the market.

Consumption

Grain sorghum is utilized exclusively for feed. With every sorghum harvest, the traditional conflict between producers and the feed industry begins for placing the domestic sorghum. The reasons for this dispute are because domestically grown sorghum is inferior to the quality of imported grains and it costs about twice as much.

In Venezuela, about 80 percent of the animal feed goes to poultry, 12 percent to pork, and the rest to bovine. About 30 percent of the sorghum goes to poultry rations, where it is not a preferred ingredient, and a slightly higher concentration is used for swine. While the industry would prefer to use less sorghum, they need to show the purchase of sorghum in order to obtain licenses for importing yellow corn. The ratios vary but last year were around one ton of sorghum purchased to be allowed to import two tons of corn.

Currently, almost 80 percent of the sorghum trades are made through the Venezuelan Agricultural Board of Trade (Bolpriaven), and certification issued by Bolpriaven is now mandatory to demonstrate proof of sorghum purchases. FAS/Caracas contacts have said that the use of Bolpriaven as a certification brings more transparency to the local grain marketing system. However, others complain that trading is not conducted in a regular basis, the market is thin, and prices are controlled by the government. A recent agreement between the GOV and Bolpriaven would force more sorghum, and corn, to be traded through the Board. See VE2006 for further details.

Trade

Venezuela has not imported sorghum in recent years, even though it was a major importer in the 1980's. Venezuela has a TRQ for sorghum set at 1,114,290 tons, based on its imports during the 1980's, but has rarely imported any sorghum since 1988.

Generally, Venezuela exports a small quantity of sorghum to Colombia. In 2000/2001 exports were 10,000 tons. Venezuela is not expected to export sorghum during the next two years due to its high price and an increased push to consume the product domestically.

Marketing

Given the high preference for imported yellow corn over domestically produced sorghum, Venezuela would not be a prime target for US grain sorghum, especially as long as the Ministry of Agriculture artificially promotes and sustains domestic sorghum production.

PSD Table						
Country	Venezuela					
Commodity	Rice, Milled				(1000 HA)(1000 MT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Area Harvested	155	147	150	120	0	135
Beginning Stocks	317	170	307	125	247	132
Milled Production	510	500	495	407	0	441
Rough Production	752	736	729	600	0	650
MILLING RATE (.9999)	6786	6786	6786	6786	0	6786
TOTAL Imports	0	0	0	60	0	60
Jan-Dec Imports	0	0	0	0	0	0
Jan-Dec Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	827	670	802	592	247	633
TOTAL Exports	70	70	80	0	0	50
Jan-Dec Exports	80	0	75	0	0	0
TOTAL Dom. Consumption	450	475	475	460	0	470
Ending Stocks	307	125	247	132	0	113
TOTAL DISTRIBUTION	827	670	802	592	0	633

Prices Table			
Country	Venezuela		
Commodity	Rice, Milled		
Prices in	Bolivars	per uom	kg
Year	2000	2001	% Change
Jan	441.17	514	16.51%
Feb	436.16	508.32	16.54%
Mar	431.07	507.63	17.76%
Apr	434.28	518.84	19.47%
May	437.12	522.02	19.42%
Jun	442.45	526.93	19.09%
Jul	462.63	537.39	16.16%
Aug	468.99	546.24	16.47%
Sep	472.28	545.82	15.57%
Oct	475.13	549.67	15.69%
Nov	501.51	560.43	11.75%
Dec	511.04	567.01	10.95%
Exchange Rate	1,037	Local currency/US \$	

Source: Venezuelan Central Bank

RICE

Production

Rice is grown in the mid-western and south regions of Venezuela in the states of Portuguesa and Guárico. Portuguesa is the most important producing state, accounting for 58 percent of total production. The annual cycles include two crops: the first planted in June/July and harvested in September/October (called "cosecha Norte-Verano" or summer cycle); the second one is planted in October/November and harvested in April/May (called "Cosecha de Invierno" or winter cycle).

Area harvested for rice in 2001 was 147,000 hectares with a milled production of 500,000 tons. Acreage and production are expected to decrease dramatically in 2002 by as much as 20 percent due to a severe drought and decreased water supplies in Guárico State. However, an increase of yield in Portuguesa State should help to offset part of that decline. Assuming better rains this summer and fall, rice production should increase in 2003.

Consumption

Rice lags behind wheat in the typical Venezuelan diet, accounting for only 20 percent of the diet while wheat (in pasta and bread) makes up about 53 percent. The Government wants to increase rice consumption to around 45 percent of the diet, but so far has made little headway. One of its plans, to incorporate rice flour in the elaboration of bread and pastas, has yet to get off the ground due to its negative effect on the quality of the finished products and the increase in price that it would generate. Given the poor rice supply prospects for 2002, it is unlikely that there will be any new programs to stimulate rice consumption this year. Rice flour was also not used in the elaboration of the precooked corn flour in 2001 because of the increase in the domestic corn production.

According to the Venezuelan Rice Millers Association (ASOVEMA), per capita rice consumption in Venezuela is 15.2 kilos per year. Total consumption in 2001 is estimated at 475,000 tons and is expected to fall to 460,000 tons in 2002. About 90 percent of rice is for human consumption; the remaining 10 percent goes into animal feed. Despite GOV plans, per capita rice consumption has not increased as expected, this is due in part because rice for industrial use is being eliminated from the corn flour that is sold by the GOV programs (PROAL, Strategic Food Program), and also due to the decline in consumers real incomes.

Trade

No significant quantities of rice were imported in 2001 although small imports of parboiled, prepared, brand or sushi rice coming mostly from the United States did occur. The GOV, through the application of the basic import duty and the Andean Community's price band and reference prices, discourages rice imports from countries outside the Andean Community. Venezuela has not imported significant quantities of rice since 1996. The government's policy is to promote domestic production and consumption of Venezuela's own crops.

Given the anticipated drop in domestic rice production for 2002, rice imports would be needed in order to maintain consumption and avoid an extreme increase in prices. Domestic rice prices already jumped 25 percent in the first three months of 2002, however it's difficult to determine if that increase was due to tighter supplies or linked to the almost 30

percent devaluation that occurred. Milled rice is currently selling for around \$710 per ton. Post estimates rice imports at 60,000 tons in 2002 and 2003 to help maintain consumption levels.

Venezuela has traditionally exported rice to Colombia since there exists an agreement since 1993 allowing 50,000 tons of Venezuelan rice (milled basis) to enter Colombia annually. Total exports for 2001 were 70,000 tons, though many believe that due to the overvaluation of the Bolivar even more rice was shipped to Colombia outside the formal channels, via the so called "caminos verdes" (green paths). No exports are estimated for 2002 due to the tighter supply situation, but exports are forecast to resume in 2003.

Marketing

Specialty rice products have a niche in most supermarkets. Due to tighter supply conditions low-cost milled rice or rough rice might also find a market in Venezuela this year and possibly next year.